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July 12, 1994

Mr. Steven C. Parrish
Senior Vice President and General Counsel
External Affairs
Philip Morris U.S.A.
120 Park Avenue
New York, NY 10017

file

Dear Steve:

Warren and I very much appreciate the rapid (and favorable) feedback Tom Collamore provided regarding last week's meeting. Representing Philip Morris is a very exciting prospect, and we are anxious to begin.

As Tom requested, we will set forth in this letter a suggested approach to initiating our professional relationship; needless to say, however, we would welcome comments from you or your colleagues aimed at tailoring our services to better satisfy their needs.

Essentially, the company wants us available to consult with on developing and implementing its strategy:

-- for dealing with Congress regarding prospective legislation affecting the tobacco industry; this includes helping prepare testimony and the witnesses who would present such testimony; and

-- for dealing with the Administration on similar issues and, in particular, regarding the pending review of U.S. trade policy as it could affect U.S. government support for the export of tobacco products.

We would anticipate working closely with key officials, primarily, if possible, through direct personal contact. Thus, our work will be heavily "partner-oriented," although it may be necessary to draw on selected associates for certain functions. Moreover, in establishing a client relationship with Paul, Weiss, the company will have access

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to the full breadth of the considerable legal talent that is available in the firm.

I know that all of us share a belief in the essentiality of proper coordination; that is, the avoidance of overlapping, competing or conflicting efforts. Therefore, we will need to remain in close and continuing touch with the company's point (or points) of contact.

Tom suggested that we start with a retainer relationship, given the difficulty of forecasting the amount and character of the workload, at least initially. If our efforts significantly exceed what we mutually expect at this point, we can revisit the subject. Included in this uncertain future is the possibility that the company might want us to undertake an internal audit of certain policies and procedures.

We propose a fee of $15,000 per month plus reimbursement of all reasonable out-of-pocket expenses which would not exceed 10% of the retainer without prior authorization. We had thought of asking for a one-year contract, as is somewhat typical in our experience; but we both feel strongly that this is an important and challenging opportunity where our experience and competence will clearly reveal the usefulness of our contributions. So, we think that at the end of this year, the retainer agreement might be reviewed in light of our efforts and the company's requirements.

We look forward to a quick start.

Sincerely,

Lionel H. Olmer

Warren B. Rudman

cc: Mr. Thomas J. Collamore

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